WASHINGTON, DC—On April 30, 2009, Congressman Joe Sestak (PA-07) voted for H.R. 627, the Credit Card Holders' Bill of Rights Act of 2009, which was passed by the House of Representatives by a vote of 357 to 70. The Act would bar predatory practices by the credit card industry, expand a number of disclosure requirements, prohibit certain practices related to interest rate charges, and restrict the ability of credit card companies to change the terms of accounts after they are established.

"Americans are hurting," said Congressman Sestak. "They're hurting, and they do not need unfair lending or credit practices compounding the most difficult economic challenges we've seen in generations. We're all in this together—government, the public, and business. Lenders are entitled to earn a profit, but they must do so by acting transparently and in good faith."

Summary of the Credit Cardholders' Bill of Rights

The "Credit Cardholders' Bill of Rights," provides crucial protections against unfair, but unfortunately common, credit card practices.

Ends Unfair, Arbitrary Interest Rate Increases

-Prevents card companies from unfairly increasing interest rates on existing card balances – retroactive increases are permitted only if a cardholder is more than 30 days late, if a promotional rate expires, if the rate adjusts as part of a variable rate, or if the cardholder fails to comply with a workout agreement.

-Requires card companies to give 45 days notice of all interest rate increases or significant contract changes (e.g. fees).

Lets Consumers Set Hard Credit Limits, Stops Excessive "Over-the-Limit" Fees

-Requires companies to let consumers set their own fixed credit limit that cannot be exceeded.

-Prevents companies from charging "over-the-limit" fees when a cardholder has set a limit, or when a preauthorized credit "hold" pushes a consumer over their limit.

-Limits (to 3) the number of over-the-limit fees companies can charge for the same transaction – some issuers now charge virtually unlimited fees for a single violation.

Ends Unfair Penalties for Cardholders Who Pay on Time

-Ends unfair "double cycle" billing – card companies couldn't charge interest on debt consumers

have already paid on time.
-If a cardholder pays on time and in full, the bill prevents card companies from piling additional fees on balances consisting solely of left-over interest.
-Prohibits card companies from charging a fee when customers pay their bill.

Requires Fair Allocation of Consumer Payments
-Many companies credit payments to a cardholder’s lowest interest rate balances first, making it impossible for the consumer to pay off high-rate debt. The bill bans this practice, requiring payments made in excess of the minimum to be allocated proportionally or to the balance with the highest interest rate.

Protects Cardholders from Due Date Gimmicks
-Requires card companies to mail billing statements 21 calendar days before the due date (up from the current 14 days), and to credit as “on time” payments made before 5 p.m. local time on the due date.
-Extends due date to next business day for mailed payments when the due date falls on a day a card company does not accept or receive mail (i.e. Sundays and holidays).

Prevents Companies from Using Misleading Terms and Damaging Consumers’ Credit Ratings
-Establishes standard definitions of terms like “fixed rate” and “prime rate” so companies can’t mislead or deceive consumers in marketing and advertising.
-Gives consumers who are pre-approved for a card the right to reject that card prior to activation without negatively affecting their credit scores.

Protects Vulnerable Consumers From High-Fee Subprime Credit Cards
-Prohibits issuers of subprime cards (where total yearly fixed fees exceed 25 percent of the credit limit) from charging those fees to the card itself. These cards are generally targeted to low-income consumers with weak credit histories.

Bars Issuing Credit Cards to Vulnerable Minors
-Prohibits card companies from knowingly issuing cards to individuals under 18 who are not emancipated.

Requires Better Data Collection from Credit Card Industry
-Requires reports to Congress by the Federal Reserve on credit card industry practices to enhance congressional oversight.

Swift Implementation of 45-Day Notice Requirement
-Requires card companies to send out 45-day notice of interest rate increases 90-days after the bill is signed into law; the remainder of the bill takes effect 12 months after enactment.

Born and raised in Delaware County, former 3-star Admiral Joe Sestak served in the Navy for 31 years and now serves as the Representative from the 7th District of Pennsylvania. He led a series of operational commands at sea, including Commander of an aircraft carrier battle group of 30 U.S. and allied ships with over 15,000 sailors and 100 aircraft that conducted operations in Afghanistan and Iraq. After 9/11, Joe was the first Director of "Deep Blue," the Navy's anti-terrorism unit that established strategic and operations policies for the "Global War on Terrorism." He served as President Clinton's Director for Defense Policy at the National Security Council in the White House, and holds a Ph.D. in Political Economy and Government from Harvard University. According to the office of the House Historian, Joe is the highest-ranking former military officer ever elected to the U.S. Congress.

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